
JEDE AMENDMENTS

SB 625 (Caballero): Amended Senate May 28, 2021
Submitted by: Toni Symonds, JEDE Committee Staff

Summary

1. Transfer the administering state entity from the IBank to California Community Development Financing Authority. Includes related amendments to recast the provisions within a different set of Government Code sections.
2. Change the name of the name of CPCFA to the California Community Development Financing Authority effective January 1, 2024. Authorize the authority to continue to use the name California Pollution Control Financing Authority for the issuance of bonds, federal reporting, and the continuance of any contracts in force or under development on January 1, 2024. **These amendments which appear in Section 3 and 4 are approved in concept and the committee shall consult and collaborate with the authors as to the final language.**
3. Authorize rather than require the establishment of the California Investment and Innovation Fund Program. Includes related amendments that condition the establishment of the program on the receipt of sufficient money that has been appropriated by the Legislature.
4. Specify that the purpose of the CII Program is to enhance the capacity of community development financial institutions to provide technical assistance and capital access to economically disadvantaged communities in this state.
5. Add a definition of “administration expenses” and authorize the Authority to access moneys in the California Investment and Innovation Fund for administrative expenses.
6. Expand the definition of an “eligible applicant” to include:
 - a. Have a current certification from the US Treasury.
 - b. Have a minimum net worth of \$25,000 as indicated on its financial statements prepared in accordance with generally accepted accounting principles.
 - c. Have made a minimum of five loans in the twelve months prior to submitting its application.
7. Modify the definition of an eligible applicant as follows:
 - a. The definition of a California-based CDFI is modified from being headquartered in the state to having a principle office in CA and the officers of principle office are domiciled in CA.
 - b. The definition of an out-of-state CDFI is modified by increasing the minimum investment in CA from \$5 million to \$10 million within the prior three years.
 - c. Remove the authority for small and emerging out-of-state CDFI to participate in the CII Program.
8. Modify the definitions of “low-income household” and “lower income household” by requiring the comparable median income household to be either the county median income or the state median income, whichever is less.
9. Establish an award process for all eligible applicants to receive grants, as specified.
10. Define eligible uses of the capacity grants, allow grantees up to three years to use the funds, require any interest earned on the grants to be reinvested by the grantee into eligible activities.
11. Reduce the maximum amount of funds that may be allocated by year from \$25 million to \$15 million.

12. Modify and expand the reporting requirements for the grantees and the authority to conform to the purpose of the grant.
13. Make other technical and conforming changes.

Mock-up of the Amendments

SECTION 1. The Legislature finds and declares all of the following:

- (a) Community Development Financial Institutions (CDFIs) are a critical partner of the State of California in addressing short-term and long-term needs of low- and moderate-income communities in the areas of affordable housing, health care, small business lending, economic development, and more.
- (b) As mission-driven lenders, grantors, and providers of technical assistance, CDFIs have proven time and again that they can play a valuable role in helping to deploy and leverage public investment quickly and efficiently.
- (c) It is the intent of the Legislature in creating the California Investment and Innovation Program to establish a program that creates an ongoing partnership with CDFIs to assist the State of California in efficiently deploying resources to communities in need and establishing an equitable economic recovery that benefits low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment.
- (d) In addition to providing an economic jumpstart for those communities through immediate investment, it is the intent of the Legislature that the program created by this legislation will serve as a potential repository for current and future emergency or stimulus funding streams that would otherwise require the state to start up new programs, thereby slowing the delivery of these funds to those most in need. The program will be a permanent resource for community investment.

SEC. 2. **Title 10.3 (commencing with Section 91640)** ~~Article 11 (commencing with Section 63049.75)~~ is added to ~~Chapter 2 of Division 1 of Title 6.7~~ of the Government Code, to read:

Title 10.3 ~~Article 11~~. California Investment and Innovation Program

91640 ~~63049.75~~. For purposes of this **title article**:

- (a) “Administration expenses” means the reasonable and necessary expenses incurred by the authority in the administration of this title, including, without limitation, the fees and costs of attorneys, consultants, and other individuals.
- (b) “Applicant” means an eligible applicant that applies to the authority for a grant pursuant to this title.
- (c) “Bank” means the California Infrastructure and Economic Development Bank. “Authority” means the California Community Development Financing Authority
- (d) ~~(b)~~ “Community development financial institution” means any community development financial institution certified by the federal Community Development Financial Institutions Fund under Part 1805 (commencing with Section 1805.100) of Chapter XVIII of Title 12 of the Code of Federal Regulations.
- (e) ~~(c)~~ “Disadvantaged community” means a census tract an area, as defined by the bank /authority pursuant to Section 63049.79, in which the median household income is less than 80 percent of the statewide or county annual median household income level, whichever is less.
- (f) ~~(d)~~ “Eligible applicant recipient” means a community development financial institution for which either all of the following applies:
 - (1) The applicant shall have a current certification pursuant to 12 CFR 1805.201.
 - (2) The applicant shall have a minimum net worth of \$25,000 as indicated on its financial statements prepared in accordance with generally accepted accounting principles.
 - (3) The applicant shall have made a minimum of five loans in the twelve months prior to submitting its application.
 - (4) ~~(3)~~ Either of the following applies:

(A) (1) The community development financial institution a principal office of which is located in California, the officers of which are domiciled in California has its headquarters in this state.

(B) (2) The community development financial institution has a record of lending in this state, based on either of the following:

(g) (A) At least 25 percent of the community development financial institution's loan portfolio, at the time of the application, provides financial assistance to persons or projects located in this state.

(ii) (B) The community development financial institution has provided financing assistance in this state totaling at least ten million dollars (\$10,000,000) in the three years prior to their application five million dollars (\$5,000,000) over the following time periods:

(i) If the community development financial institution is not a small and emerging community development financial institution, the three years preceding the date of its application for a grant under the program.

(ii) If the community development financial institution is a small and emerging community development financial institution, any time period.

(h) (e) "Fund" means the California Investment and Innovation Fund created in subdivision (b) of Section 91641 63049.76.

(i) (f) "Low-income communities" has the same meaning as defined in Section 39713 of the Health and Safety Code.

(j) (g) "Lower income household" has the same meaning as defined in Section 50079.5 of the Health and Safety Code.

(k) (h) "Program" means the California Investment and Innovation Program established in subdivision (a) of Section 91641 63049.76.

(l) (i) "Small and emerging community development financial institution" means a community development financial institution that has less than ten million dollars (\$10,000,000) in assets.

(m) "socially and economically disadvantaged individuals" has the meaning set forth in Section 5701(18) of Title 12 of the United States Code.

91641 63049.76. (a) (1) The bank authority may establish the California Investment and Innovation Program is hereby established for the purpose of providing grants to eligible recipients. providing grants to enhance the capacity of community development financial institutions to provide technical assistance and capital access to economically disadvantaged communities in this state.

(2) The bank authority shall adopt guidelines for the implementation of this program consistent with this title. The authority shall not commence operation of the program before adopting a resolution finding that there is sufficient money in the California Investment and Innovation Fund, established pursuant to this section, to cover the costs of implementing the program, including, but not limited to, the appropriate costs for oversight and reporting administer the program.

(b) The California Investment and Innovation Fund is created in the State Treasury. Upon appropriation by the Legislature, the bank/authority shall may allocate moneys in the fund to eligible recipients in accordance with this title article.

(c) The California Investment and Innovation Fund may receive funds made available to the state by from any source, including, but not limited to, the federal government, philanthropic entities, and financial institutions, and state funds appropriated for this purpose.

(d) The authority may access moneys in the fund for administrative costs as necessary to implement the program, subject to conditions, if any, stipulated in the appropriation of the funds.

91642 63049.77. (a) When funding is available and the resolution has been adopted pursuant to Section 91641 63049.76, the bank authority shall make the funding available to eligible recipients applicants selected by the authority to participate in the program. Unless otherwise prohibited by law, the bank authority shall use the available funding to do all of the following:

(1) Develop a competitive application process for awarding grants to eligible applicants pursuant to the program and require each eligible recipient applicant to submit an application in the form and manner prescribed by the bank authority.

(2) Set aside at least 20 percent of any amount made available in a funding round for purposes of the program for eligible ~~recipients~~ applicants that are small and emerging community development financial institutions, as defined in subdivision (1) of section 91640.

(3) Ensure that eligible recipients receiving grants pursuant to the program serve geographically diverse areas, both urban and rural, across this state.

(b) When funding is available and the resolution has been adopted pursuant to Section ~~91641~~ 63049.76, the ~~bank~~ authority shall make grants available in one or more rounds of funding availability, not to exceed fifteen million dollars (~~\$15,000,000~~) ~~twenty five million dollars (\$25,000,000)~~ in total grants in any calendar year.

(1) Awards shall be announced on or before February 1 of each year. The first round of funding shall be awarded on or before February 1, 2024.

(2) Funds shall be available for use by the grantee for a period of two years, as specified in the grant agreement. Upon the expiration of the grant agreement, there are no longer any limitations on the use of the funds.

(3) Any income generated from the grant award during the term of grant agreement shall be reinvested by the grantee into activities allowable under the grant agreement.

(c) ~~Pursuant to Section 63049.79, As part of the application process established in subdivision (a) the bank authority shall determine the maximum amount that any eligible applicant who submits a timely and complete application recipient may receive per calendar year, subject to the following conditions: provided that, in a calendar year, no applicant may receive more than 5 percent of the total grant funds available in that calendar year.~~

(a) All eligible applicants that submit a timely and complete application shall receive a grant. In each round of funding, the authority shall, in announcing the availability of funding, establish a minimum and maximum grant award. For the purpose of determining the amount of individual grants, the authority shall develop criteria to adjust the size of awards based on the total amount of loans closed by the applicant in the most recently completed fiscal year.

(b) After receiving a grant in one year, a CDFI is not prohibited from applying in a future funding round if the CDFI has made reasonable progress on the deployment of the previously awarded grant funding.

~~(d) To the extent permissible under state and federal equal protection laws, grants shall be prioritized in accordance with the following criteria:~~

~~(1) Providing access to capital for communities and businesses that have historically lacked access to capital, including, but not limited to, the following:—~~

~~(A) Businesses in which a majority of the business is owned by women, minorities, persons of color, or veterans.~~

~~(B) Businesses in rural communities.~~

~~(C) Businesses in low income communities.~~

~~(2) Serving communities that are disadvantaged communities or have a disproportionately high rate of poverty or unemployment, low educational attainment, or other disadvantaging factor that limits access to capital and other resources.—~~

~~(3) Providing access to housing, health care, or education or financial services for households that are very low income as defined in Section 50105 of the Health and Safety Code.~~

91643 63049.78. (a) Prior to receiving any grant funds under this program, an applicant selected by the authority to participate in the program shall enter into an agreement with the authority that requires the applicant to achieve specific performance goals related to capacity building, provide information requested by the authority to support administration of the program, and comply with terms and conditions imposed by the authority.

(b) Unless otherwise prohibited by law, an eligible applicant recipient that receives grant funds under the program may use those funds for the following purposes:

(1) (A) To increase total net assets for the purpose of increasing the eligible applicant's capacity to attract additional financing that the applicant uses to fund loans, establish loan loss reserves, or other means of finance for any of the following:

(i) Commercial facilities that promote revitalization, community stability or job creation or retention.

(ii) Businesses that provide jobs for low-income persons, are owned by low-income persons, or increase the availability of products and services to low-income persons.

(iii) Any facility where health care, childcare, educational, cultural, or social services are provided.

(iv) The provision of checking, savings accounts, check cashing, money orders, certified checks, automated teller machines, deposit taking, safe deposit box services, and other similar services.

(v) Financing for the development, preservation, or renovation of affordable housing.

(vi) Credit building consumer loans with charges that do not exceed the amounts allowed by Section 22304.5 and Section 22370 of the Financial Code.

(B) For purposes of this section, “total net assets” means the amount of total assets minus total liabilities, as disclosed in an audited financial statement prepared according to United States Generally Accepted Accounting Principles.

(2) To increase working capital for the purpose of funding services and operations that contribute to the overall community development mission of the eligible applicant, including technical assistance, technology, training, and other activities that benefit low-income neighborhoods, undercapitalized business owners, and other socially and economically disadvantaged individuals.

(d) If a grantee is required to be licensed by the state of California and the grantee loses its license, the grant shall be forfeited and returned, in total, the authority.

~~Providing loans, grants, equity investments, or technical assistance within low income communities or for purposes that have a direct and substantial benefit to lower income households.—~~

~~(2) Serving investment areas or targeted populations, as those terms are defined in Section 4702 of Title 12 of the United States Code, as that section read as of January 1, 2021, by developing or providing financial support to supporting any of the following:—~~

~~(A) Commercial facilities that promote revitalization, community stability, or job creation or retention.~~

~~(B) Businesses that either provide jobs in low income communities or enhance the availability of products and services to lower income households.~~

~~(C) Community facilities.~~

~~(D) The provision of basic financial services.~~

~~(E) Housing that is principally affordable to lower income households. Assistance used to facilitate homeownership pursuant to this subparagraph shall be limited to services and lending products that serve lower income households that either are not provided by other lenders in the area or complement the services and lending products provided by other lenders that serve the investment area or target population.—~~

~~(F) Any other businesses or activities deemed appropriate by the bank and consistent with the purposes of the program.~~

~~(b) An eligible recipient that provides loans with grant funds awarded under the program shall provide those loans on a revolving basis use the cash flow received from those loans as a source of funds to originate new loans for similar purposes.—~~

91644 63049.79. The bank authority shall may adopt, amend, or repeal guidelines for the operation of the program in accordance with Chapter 3.5 ([commencing with Section 11340](#)) of Part 1 of Division 3 of Title 2.

63049.80. (a) For purposes of this section:—

(1) “Committee” means the California Investment and Innovation Advisory Committee.

(2) “Director” means the executive director of the bank.

(b) The director may establish and appoint the committee.

(c) The committee shall consist of the director or the director’s designee and one volunteer from each of the following categories:

(1) A member of the public appointed by the Senate Committee on Rules.

(2) A member of the public appointed by the Speaker of the Assembly.

- ~~(3) A representative of a consumer advocacy group.~~
- ~~(4) A member of the public with expertise in affordable housing development or finance.~~
- ~~(5) A member of the public with expertise in community development.~~
- ~~(6) A representative of a financial institution or a community development financial institution.~~
- ~~(7) A member of the public with expertise in small business lending.~~
- ~~(8) A representative of an organization representing the interests of low income rural communities.~~
- ~~(d) The committee's duties shall include all of the following:~~
 - ~~(1) Reviewing and recommending for approval applications for grants submitted pursuant to this article.~~
 - ~~(2) Providing recommendations to the bank on the successful implementation of the program.~~

91645 ~~63049.81.~~ (a) Pursuant to subdivision (a) of Section 91641 63049.79, the bank authority shall do all of the following:
establish time periods for performance and periodic reporting by grantees.

(1) Adopt (b) Pursuant to Section 63049.79, the bank shall adopt guidelines for periodic annual reporting by grantees that do all of the following. In adopting the guidelines, the bank shall ensure appropriate periodic

(A) Grantees shall annually report on the CDFI's overall activities during the report period, including how the grant specifically contributed to these activities.

(B) Grantees shall provide an annual financial statement and project reporting, and meet record retention, and audit requirements for the duration of the grant to the grantee to ensure compliance with the limitations and requirements of this section title.

(C) The time period covered by the annual report shall align with the report time period of the CDFI program of the US Treasury.

(D) For the purpose of tracking the impact of individual grant awards, the performance period shall start no earlier than date the grant award agreement is signed and the funding is under the control of the grantee.

(E) As a condition of receiving the grant, all grantees shall request that individuals who and businesses directly served by the grantee to that receive benefit from the capacity building activities funded by the grant self identify their gender, race, and ethnicity. Grantees shall annually report the information provided to them by the beneficiaries to the authority.

(2) By March 1, 2024 and annually thereafter, report to the Legislature, pursuant to X, on program activities, including, but not limited to, all of the following:

(A) Based on the information provided by grantees pursuant to subparagraph (A) , an aggregation of data provided and a summary of community development activities reported in subparagraph (A) in low-income areas supported with the capacity building grant.

(B) Any recommendations for improving the effectiveness, transparency, and accountability of public funds deployed to community development financial entity's to serve the unmet needs and build inclusive economic prosperity in California's lower income neighborhoods and among undercapitalized small businesses.

(A) The guidelines shall also establish reporting that documents the use of funds, the number of persons or households served, the total capital investments made, the geographic distribution of funds, the number of jobs created and the number of jobs retained, the wage levels by type of work, and other data as determined by the bank to assist the bank in assessing program outcomes.

Amendments in Section 3 and 4 are approved in concept and the committee shall consult and collaborate with the authors as to the final language.

SEC 3. Section 44504 of the Health and Safety Code is amended to read:

44504. "Authority" means the California Pollution Control Financing Authority established pursuant to Section 44515 and any board, commission, department, or officer succeeding to the functions thereof or to whom the powers conferred upon the authority by this division shall be given by law.

On or after January 1, 2024, "Authority" shall also mean the California Community Development Financing Authority, pursuant to conditions and limitations in Section 44515.

SEC 4. Section 44515 of the Health and Safety Code is amended to read:

44515. (a) There is in the state government the California Pollution Control Financing Authority. The authority constitutes a public instrumentality and a political subdivision of the State of California, and the exercise by the authority of the powers conferred by this division shall be deemed and held to be the performance of an essential public function. The authority shall consist of three members: the Director of Finance, the State Treasurer, and the State Controller. The Director of Finance may designate a deputy or other official in the Department of Finance to act for him or her and represent him or her at all meetings of the authority.

The first meeting of the authority shall be convened by the Director of Finance.

(b) On or after January 1, 2024, the California Pollution Control Financing Authority shall be publically referred to as the California Community Development Financing Authority. The California Pollution Control Financing Authority may continue to issue bonds under the name California Pollution Control Financing Authority. All contracts and agreements which were entered into or are under development with California Pollution Control Financing Authority prior to January 1, 2024 shall continue and the authority may continue actions related to those contracts and agreements under the California Pollution Control Financing Authority name.

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